

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Moorland Township	County Muskegon
Audit Date 3/31/05	Opinion Date 5/24/05	Date Accountant Report Submitted to State: 7/6/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

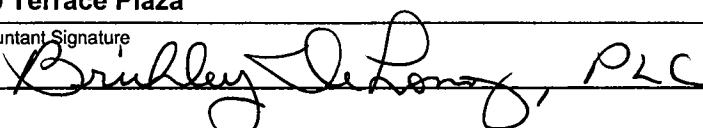
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brickley DeLong, PLC			
Street Address 500 Terrace Plaza		City Muskegon	State MI
		ZIP 49443	
Accountant Signature 		Date 7/6/05	

Moorland Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2005

Moorland Township

TABLE OF CONTENTS

Management’s Discussion and Analysis.....	i - vi
Independent Auditors’ Report	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet—Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances —Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Fiduciary Net Assets	8
Notes to Financial Statements	9
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund	18
Budgetary Comparison Schedule—Fire Fund	19

As management of Moorland Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Moorland Township for the fiscal year ended March 31, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with the prior year financial statements or just new to this document, it is important to know that Moorland Township's management is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

- Moorland Township's General Fund revenues exceeded expenditures by \$20,280 and the Fire Fund revenues exceeded expenditures by \$29,233. This increase is due to an increase in property taxes and decreases in payroll expense and equipment maintenance expenditures.
- The Township had unusually high attorney fees related to ongoing litigation and preparation of election documents related to the millage renewal.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Moorland Township's basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of Moorland Township include general government, public works, public safety and cultural and recreational activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Moorland Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories-governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Moorland Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Moorland Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2005, the Township's net assets from governmental activities totaled \$898,553. The net assets are comprised of two parts, invested in capital assets, net of related debt of \$276,448, which represent the net investment the Township has in fixed asset less accumulated depreciation and related debt. The balance of the fund balance is unrestricted. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2004 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets, net of related debt (i.e., buildings, land, fire equipment and office equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a fund balance of \$622,105. This represents the amount of discretionary resources that can be used for general governmental operations.

	Governmental Activities 2005
Current assets and other assets	\$ 644,643
Capital assets	301,690
Total assets	946,333
Current liabilities	26,438
Long-term liabilities	21,342
Total liabilities	47,780
Net assets	
Invested in capital assets, net of related debt	276,448
Unrestricted	622,105
Total net assets	\$ 898,553

Governmental Activities

Governmental activities increased by \$41,525 during the 2005 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets. The Township's state revenue sharing is approximately 41% of revenues and property taxes are approximately 42%. General government and Public safety are the largest two expenses and represent approximately 80.7 percent of the governments activities. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Moorland Township Change in Net Assets

	Governmental Activities 2005
Revenues:	
Program revenues	
Charges for services	\$ 38,528
Capital grants and contributions	7,500
General revenues	
Property taxes	130,487
Grants and contributions not restricted	122,066
Unrestricted investment earnings	4,832
Miscellaneous	7,125
Total revenues	<u>310,538</u>
Expenses:	
General government	167,326
Public safety	67,623
Public works	22,330
Community and economic development	9,970
Interest on long term debt	1,764
Total expenses	<u>269,013</u>
Increase in net assets	41,525
Net assets – April 1, 2004	857,028
Net Assets – March 31, 2005	<u><u>\$ 898,553</u></u>

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Moorland Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Moorland Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, Moorland Township governmental funds reported a combined reserved and unreserved fund balance of \$622,105. This number represents the unreserved fund balance of \$524,597 in the General Fund and \$97,508 in the Fire Fund.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those are listed below:

- The Township Board budget was amended up by \$31,000 to account for additional attorney costs related to on going litigation.
- The Clerk budget was increased due to a reallocation of expenditures from Zoning.
- The Road budget was decreased due to not completing anticipated projects.
- The Contingencies budget was reduced as fewer unusual items occurred than anticipated.

The following comments summarize the major variations from the final budget to actual expenditures.

General Fund

- Building and grounds was under budget due to not resealing the Township parking lot.
- Cemetery budget was under budget due to lower maintenance costs and budgeting of fixed assets under the cemetery function while actual expenses are shown as capital outlay.
- General Administration was under budget due to lower fixed asset purchases than anticipated along with those actual fixed asset costs being shown as capital outlay.
- The Inspection Department budget ended up under budget due to lower than anticipated construction in the Township.
- Road expenditures were under budget due to not completing anticipated projects.
- Drains were under budget due to budget expenses for a project that ultimately was paid for by another governmental entity.
- Other expenses under other governmental function were under budget since no miscellaneous expenses were incurred.
- Public Safety expenses were under budget due to lower than anticipated wages and equipment maintenance.
- Capital outlay was budgeted by department and is included in the other departmental totals.

Fire Fund

- Debt Service expenses were over budget due to the anticipated expenditures being budgeted under capital outlay.
- Capital outlay expenditures were under budget due to lower than anticipated capital outlay purchases and the budgeting of debt service expenditures in this department that were reclassified to debt service.

Capital Assets

Moorland Township investment in capital assets for its governmental activities as of March 31, 2005 totaled \$301,690 (net of accumulated depreciation). This investment in capital assets includes land, buildings, office equipment and fire equipment.

**Moorland Township Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities 2005
Land	\$ 22,500
Building	38,893
Office equipment	7,265
Fire equipment	233,032
Total	<u>\$ 301,690</u>

Additional information on the Township's capital assets can be found in Note 4 of the "Notes to the Financial Statements" of this report.

Long-term debt

The Township's long-term debt as of March 31, 2005 consists of one installment purchase agreement related to the purchase of a fire truck. The balance is \$25,242 as of March 31, 2005. Additional information is provided in Note D of the financial statements.

General Economic Overview

The Township's General Fund is comprised of two major revenue sources; state revenue sharing and property tax revenue. Those two sources comprised approximately 78% of the General Fund revenue sources. In fiscal 2006, state revenue sharing is expected to remain flat and property tax revenues are expected to increase approximately 7%.

The Township anticipates remodeling an area of the Township Hall to improve and expand the office area.

The Fire Fund revenues are expected to increase by 7% due to normal increases in taxable value and an increase in mills levied.

Requests for Information

This financial report is designed to provide a general overview of the Moorland Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Moorland Township, 12416 E. Apple Ave., Ravenna, MI 49451. (231) 853-2015.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

May 24, 2005

Township Board
Moorland Township
Muskegon, Michigan

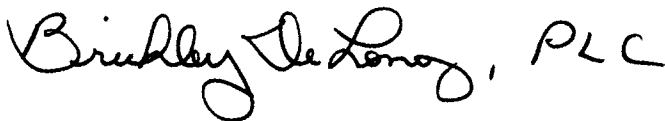
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moorland Township as of and for the year ended March 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Moorland Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Moorland Township, as of March 31, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, Moorland Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages i through vi and 18 and 19 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Moorland Township
STATEMENT OF NET ASSETS
 March 31, 2005

ASSETS

	Governmental activities
	<hr/>
CURRENT ASSETS	
Cash and cash equivalents	\$ 597,665
Due from other governmental units	36,014
Prepaid items	<hr/> 10,964
Total current assets	644,643
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	22,500
Depreciable	<hr/> 279,190
Total capital assets	<hr/> 301,690
Total assets	946,333
	LIABILITIES AND NET ASSETS
CURRENT LIABILITIES	
Accounts payable and accrued expenses	22,538
Bonds, capital leases and contracts, due within one year	<hr/> 3,900
Total current liabilities	26,438
NONCURRENT LIABILITIES	
Bonds, capital leases and contracts, less amounts due within one year	<hr/> 21,342
Total liabilities	<hr/> 47,780
NET ASSETS	
Invested in capital assets, net of related debt	276,448
Unrestricted	<hr/> 622,105
Total net assets	\$ <hr/> <hr/> 898,553

The accompanying notes are an integral part of this statement.

Moorland Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2005

<i>Functions/Programs</i>	<u>Expenses</u>	<u>Program Revenue</u>		Net (Expense)
		<u>Charges for</u>	<u>Capital grants</u>	Revenue and
		<u>services</u>	<u>and contributions</u>	Changes in Net Assets
				Primary Government
				Governmental
				activities
Governmental activities				
General government	\$ 167,326	\$ 19,009	\$ 7,500	\$ (140,817)
Public safety	67,623	19,519	-	(48,104)
Public works	22,330	-	-	(22,330)
Community and economic development	9,970	-	-	(9,970)
Interest on long-term debt	1,764	-	-	(1,764)
Total government	<u>\$ 269,013</u>	<u>\$ 38,528</u>	<u>\$ 7,500</u>	<u>(222,985)</u>
General revenues				
Taxes				
Property taxes, levied for general purposes				57,366
Property taxes, levied for fire protection				73,121
Grants and contributions not restricted to specific programs				122,066
Unrestricted investment earnings				4,832
Miscellaneous				7,125
Total general revenues				<u>264,510</u>
Change in net assets				41,525
Net assets at April 1, 2004				<u>857,028</u>
Net assets at March 31, 2005				<u>\$ 898,553</u>

The accompanying notes are an integral part of this statement.

Moorland Township
BALANCE SHEET
 Governmental Funds
 March 31, 2005

	General Fund	Fire Fund	Total governmental funds
ASSETS			
Cash and cash equivalents	\$ 515,199	\$ 82,466	\$ 597,665
Due from other governmental units	24,748	11,266	36,014
Prepaid items	4,167	6,797	10,964
Total assets	<u>\$ 544,114</u>	<u>\$ 100,529</u>	<u>\$ 644,643</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 18,737	\$ 710	\$ 19,447
Accrued liabilities	780	2,311	3,091
Total liabilities	19,517	3,021	22,538
Fund balances			
Reserved for:			
Prepaid items	4,167	6,797	10,964
Unreserved			
General fund	520,430	-	520,430
Special revenue funds	-	90,711	90,711
Total fund balances	<u>524,597</u>	<u>97,508</u>	<u>622,105</u>
Total liabilities and fund balances	<u>\$ 544,114</u>	<u>\$ 100,529</u>	<u>\$ 644,643</u>

The accompanying notes are an integral part of this statement.

Moorland Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
March 31, 2005

Total fund balance—governmental funds	\$ 622,105
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 568,823	
Accumulated depreciation	<u>(267,133)</u>	301,690

Long-term liabilities in governmental activities are not due and payable in the
current period and are not reported in the governmental funds.

<u>(25,242)</u>

Net assets of governmental activities in the Statement of Net Assets

\$ <u><u>898,553</u></u>

The accompanying notes are an integral part of this statement.

Moorland Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2005

	General Fund	Fire Fund	governmental governmental funds
REVENUES			
Property taxes	\$ 57,366	\$ 73,121	\$ 130,487
Licenses and permits	17,244	-	17,244
Intergovernmental revenues - state	122,066	-	122,066
Charges for services	1,015	-	1,015
Fines and forfeitures	17,008	-	17,008
Investment earnings	4,582	250	4,832
Other	7,875	2,511	10,386
Total revenues	227,156	75,882	303,038
EXPENDITURES			
Current			
General government	142,605	-	142,605
Public safety	7,648	35,936	43,584
Public works	22,330	-	22,330
Community and economic development	9,323	-	9,323
Other governmental funds	19,626	-	19,626
Debt Service			
Principal	-	3,345	3,345
Interest and fees	-	1,764	1,764
Capital outlay	5,344	5,604	10,948
Total expenditures	206,876	46,649	253,525
Net change in fund balances	20,280	29,233	49,513
Fund balances at April 1, 2004	504,317	68,275	572,592
Fund balances at March 31, 2005	\$ 524,597	\$ 97,508	\$ 622,105

The accompanying notes are an integral part of this statement.

Moorland Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2005

Net change in fund balances—total governmental funds:	\$	49,513
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Amounts reported for governmental activities in the Statement of Activities are different because:

Revenue reported in the Statement of Activities that does not provide current financial resources are not reported as revenue in the governmental funds.	7,500
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Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (21,603)	
Capital outlay	<u>2,770</u>	(18,833)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

3,345

Change in net assets of governmental activities	\$	<u><u>41,525</u></u>
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The accompanying notes are an integral part of this statement.

Moorland Township
STATEMENT OF FIDUCIARY NET ASSETS
Current Tax Fund
March 31, 2005

ASSETS

Cash and cash equivalents	\$ <u>-</u>
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Total assets	-
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LIABILITIES

Due to other governments	<u>-</u>
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Total liabilities	\$ <u><u>-</u></u>
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The accompanying notes are an integral part of this statement.

Moorland Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Moorland Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective April 1, 2004, the Township and component units adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 are as follows:

Fund balances at April 1, 2004— governmental funds	\$ 572,592
Capital assets, net	313,023
Long-term liabilities	<u>(28,587)</u>
Restated net assets at April 1, 2004	<u>\$ 857,028</u>

1. Reporting Entity

Moorland Township (Township) is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund provides fire protection service for the community.

Additionally, the Township reports the following fund types:

The Fiduciary Fund accounts for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of six months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

b. Receivables and Payables—Continued

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following February 15 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$32,494,000. The ad valorem taxes levied consisted of 1.1398 mills for the Township's operating purposes and 2.2503 for fire operating purposes. These amounts are recognized in the General Fund and the Fire Fund, respectively.

c. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

d. Capital Assets

Capital assets, which include property, plant, and equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Equipment	3-20
Fire equipment	5-30

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

e. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

f. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

g. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets, and the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

1. Budgetary Information—Continued

- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

2. Excess of Expenditures Over Appropriations

For the year ended March 31, 2005, expenditures exceeded appropriations for capital outlay in the General Fund by \$5,344 due to the capital outlay items being included in the departmental budget instead of as its own department.

The Fire Fund was over budget on debt service items due to the debt service expenditures being classified as capital outlay during the budgetary process. All excess expenditures were funded with additional revenues received during the year.

NOTE C—DEPOSITS

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of March 31, 2005, the Township's carrying amount of deposits was \$597,665, and the bank balance was \$555,283. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining \$355,283 was uninsured and uncollateralized.

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE D—CAPITAL ASSETS

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2005</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 22,500	\$ -	\$ -	\$ 22,500
Capital assets, being depreciated:				
Buildings	147,367	2,770	-	150,137
Equipment	-	7,500	-	7,500
Fire equipment	<u>388,686</u>	<u>-</u>	<u>-</u>	<u>388,686</u>
Total capital assets, being depreciated	536,053	10,270	-	546,323
Less accumulated depreciation				
Buildings	109,017	2,227	-	111,244
Equipment	-	235	-	235
Fire equipment	<u>136,513</u>	<u>19,141</u>	<u>-</u>	<u>155,654</u>
Total accumulated depreciation	<u>245,530</u>	<u>21,603</u>	<u>-</u>	<u>267,133</u>
Total capital assets, being depreciated, net	<u>290,523</u>	<u>(11,333)</u>	<u>-</u>	<u>279,190</u>
Capital assets, net	<u>\$ 313,023</u>	<u>\$ (11,333)</u>	<u>\$ -</u>	<u>\$ 301,690</u>

Depreciation

Depreciation expense was charged to the following governmental functions:

General government	\$ 398
Public safety	<u>21,205</u>
	<u>\$ 21,603</u>

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2005.

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2005</u>	Due within <u>one year</u>
Governmental activities:					
Installment purchase agreement	\$ <u>28,587</u>	\$ <u>-</u>	\$ <u>3,345</u>	\$ <u>25,242</u>	\$ <u>3,900</u>

The installment purchase agreement requires monthly installments of \$464, including interest; final payment due August 2010.

Moorland Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
March 31, 2005

NOTE E—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued
Governmental activities—Continued

Annual debt service requirements to maturity for debt outstanding as of March 31, 2005 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2006	\$ 3,900	\$ 1,768
2007	4,209	1,359
2008	4,513	1,055
2009	4,840	728
2010	5,190	378
2011	<u>2,590</u>	<u>48</u>
	<u>\$ 25,242</u>	<u>\$ 5,336</u>

NOTE F—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

NOTE G—PENSION PLAN

The Township provides pension benefits for all elected employees through a money purchase plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan requires a 10 percent contribution of qualified payroll. The Plan is administered through an independent third party, and contributions are based on annual earnings. For the year ended March 31, 2004, the contribution to the Plan by the Township was \$4,481.

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues are 54 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Moorland Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 48,691	\$ 48,691	\$ 57,366	\$ 8,675
Fees and fines	22,000	22,000	17,008	(4,992)
Licenses and permits	16,000	16,000	17,244	1,244
Intergovernmental revenues - state	125,000	125,000	122,066	(2,934)
Charges for services	1,500	1,500	1,015	(485)
Investment earnings	5,000	5,000	4,582	(418)
Miscellaneous	1,900	1,900	7,875	5,975
Total revenues	220,091	220,091	227,156	7,065
EXPENDITURES				
Current				
General government				
Township Board	37,200	68,200	66,717	1,483
Supervisors	13,250	13,250	12,231	1,019
Elections	2,600	3,100	3,075	25
Assessor	11,800	11,800	10,425	1,375
Clerk	14,450	17,150	16,272	878
Board of review	1,000	1,000	250	750
Treasurer	15,750	16,250	14,275	1,975
Buildings and grounds	22,500	22,500	13,401	9,099
Cemetery	9,350	9,350	4,160	5,190
General administrative	8,000	8,000	1,799	6,201
Public safety				
Inspections department	15,800	15,800	7,648	8,152
Public works				
Roads	172,500	162,000	8,629	153,371
Street lights	6,000	6,000	5,351	649
Sanitary Landfill	10,000	10,000	7,350	2,650
Drains	5,000	5,000	1,000	4,000
Community and economic development				
Planning commission	3,500	3,500	1,090	2,410
Zoning	11,200	9,000	8,233	767
Other governmental functions				
Social Security	2,000	2,000	1,759	241
Insurance and Bonds	6,000	6,000	5,695	305
Pension	4,500	4,500	4,481	19
Contingencies	12,000	7,691	7,691	-
Other	1,200	7,010	-	7,010
Capital outlay	-	-	5,344	(5,344)
Total expenditures	385,600	409,101	206,876	202,225
Net change in fund balances	\$ (165,509)	\$ (189,010)	20,280	\$ 209,290
Fund balance at April 1, 2004			504,317	
Fund balances at March 31, 2005			\$ 524,597	

Moorland Township
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE

Fire Fund
For the year ended March 31, 2005

	Budgeted Amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 77,300	\$ 77,300	\$ 73,121	\$ (4,179)
Investment earnings	400	400	250	(150)
Miscellaneous	200	200	2,511	2,311
Total revenues	<u>77,900</u>	<u>77,900</u>	<u>75,882</u>	<u>(2,018)</u>
EXPENDITURES				
Current				
Public safety	51,221	51,221	35,936	15,285
Debt Service				
Principal	-	-	3,345	(3,345)
Interest and fees	-	-	1,764	(1,764)
Capital Outlay	15,500	15,500	5,604	9,896
Total expenditures	<u>66,721</u>	<u>66,721</u>	<u>46,649</u>	<u>20,072</u>
Net change in fund balances	\$ <u>11,179</u>	\$ <u>11,179</u>	29,233	\$ <u>18,054</u>
Fund balance at April 1, 2004			<u>68,275</u>	
Fund balances at March 31, 2005			\$ <u>97,508</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

May 24, 2005

Township Board
Moorland Township
Ravenna, Michigan

In planning and performing our audit of the financial statements of Moorland Township for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Moorland Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITIONS

Recommendation 1: The Township should budget for capital outlay separately from departmental budgets for all capital outlay expenditures.

During our testing, we noted that the capital outlay budgets were included in the department totals. The budget resolutions did not provide for capital outlay as its own line items or department.

The appropriate inclusion of capital outlay line items or department in the Board budget resolutions would provide Board members and other users of the budget with a more accurate summary of expenditures.

Recommendation 2: Debt service expenditures should be budgeted separately from capital outlay and include individual budget line items for principal and interest.

During our testing, we noted that the loan payments related to fire equipment were included in the capital outlay one item.

The appropriate break out of debt service expenditures would provide more accurate information to user of the budget and financial statements.

Recommendation 3: Internal controls should be strengthened by use of program passwords and program restrictions.

During our testing, we noted that a single password was required in order to gain access to computer software programs. In addition, the individual responsible for the accounting was the administrative user which has full program authority. Open access to computer software could enable unauthorized use/manipulation of the computer system.

The internal controls surrounding the computer program could be improved by establishing a separate user name and password for the individual responsible for maintenance of the accounting records. In addition a separate administrative user should be established for full program authority. This would enhance the internal controls and help ensure that software security settings are effective.